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# Managing the Details of Your Practice, Made Easy



**Rich Lester**

CEO of Ackerman Group

# Agenda

1

**The Ultimate Scorecard –**  
Your Profit & Loss Statement

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**Key Metrics to Track**

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**Cost of Goods Sold –**  
Areas of Focus

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**Non-DVM Labor –**  
Tools To Measure Success

1

# The Ultimate Scorecard – Your Profit & Loss Statement

# What is the Profit & Loss Statement

- Revenues LESS Expenses = Profits
- Frequency – Monthly
- Timelines – 10-15 days post month end



- Data – for many, includes personal expenses
- **Recommendation:** Use 2-5 specific line items for ALL personal expenses so that it's easy to track true performance



# P&L Construction

Most Income Statements are not set up with analysis and data tracking in mind.

It is not hard to accomplish with a little work with your bookkeeper/accountant.



## Organization or Set-Up Drives Analysis

- Expense Items – NOT alphabetical
  - Not useful to group in this manner – provides no good info
- Organize by major categories and sub-categories
  - For Example – Cost of Goods Sold is major category
  - Line items within COGS – Inside Lab, Outside Lab, Rx Diets, Parasiticides, Drugs, Medical Supplies etc.



## Track Key Categories as a % of Revenue

- \$\$ of Expense is less relevant than % of revenue
  - Cost of Goods as a % of Revenue
  - Non-DVM Labor as a % of Revenue
  - DVM Labor as a % of Revenue
- Personal vs. Business Expenses
  - Use different credit cards

# P&L Set Up – Drives Understanding of the Business

## TYPICAL P&L

|                      | \$ | % |
|----------------------|----|---|
| Revenues             |    |   |
| Expenses             |    |   |
| Advertising          |    |   |
| Amortization         |    |   |
| Auto Expense         |    |   |
| Bank Fees            |    |   |
| Benefits - Employees |    |   |
| Benefits - Owner     |    |   |
| Consultants          |    |   |
| Drugs                |    |   |

## P&L - THE GOAL

|                        | <u>Current</u> | <u>Prior</u>  | \$            | %             |
|------------------------|----------------|---------------|---------------|---------------|
|                        | <u>Period</u>  | <u>Period</u> | <u>Change</u> | <u>Margin</u> |
| Revenues               |                |               |               |               |
| Cost of Goods Sold     |                |               |               |               |
| Gross Margin           |                |               |               |               |
| Labor Costs            |                |               |               |               |
| Veterinarian Costs     |                |               |               |               |
| Non-Veterinarian Costs |                |               |               |               |
| Employee Benefits      |                |               |               |               |
| Real Estate Costs      |                |               |               |               |
| Other Operating Costs  |                |               |               |               |
| Profits                |                |               |               |               |

# Trends and Comparisons

- **Data in isolation is not meaningful**
- **Examine trends from Period to Period vs. Last Year**
- **What does the following tell us:**
  - \$100,000 in profit in October
  - Non-DVM Labor was 17% last pay period
  - Revenues were up \$25,000 this month



- Profits are up \$100,000 or 15% vs. last year
- Non-DVM labor is 17% vs. 18.5% last month

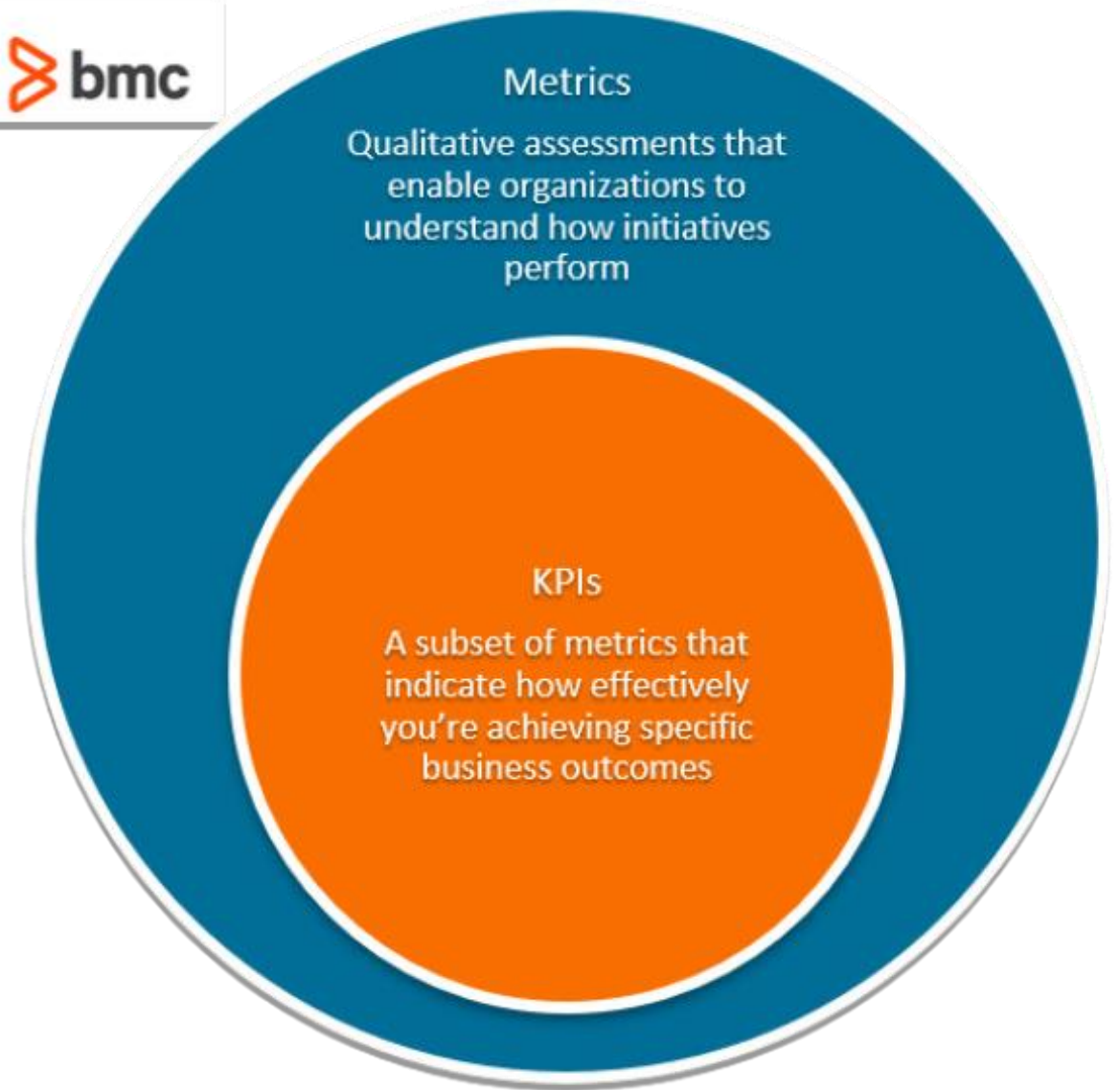
2

# Key Metrics / KPIs to Track



# Definitions

- **Metrics – Help predict performance**
- **KPI = Key Performance Indicator, a strategic subset of metrics**
- Metrics in isolation are typically not useful
- Trend/Track over time to determine progress
- Have a 'goal' in mind – Industry Benchmarks



**What are the key metrics / KPIs for a veterinary practice to track?**

# 3 Hospital Metrics to Track

Monitoring these metrics will give you a sense of the revenue and profit growth trends.

These metrics will be leading indicators that will predict your P&L data and profitability.

A

**Revenue & Invoice Growth**

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B

**Average Revenue Per Invoice**

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C

**Non-DVM Labor Costs as a % of Revenue**



# Revenue & Invoice Growth

| \$ REVENUE |      |      | % GROWTH  |           |
|------------|------|------|-----------|-----------|
| 2021       | 2022 | 2023 | '21 v '22 | '22 v '23 |

- **Tracking Vs. Last Year is important due to seasonality**
- **Comparison Vs The Prior Month is not as relevant**
- Monthly Tracking is instructive but can have wide variances
- Quarterly Tracking is the most instructive Short-Term Period to examine

|           |   |   |   |   |   |
|-----------|---|---|---|---|---|
| JANUARY   | - | - | - | - | - |
| FEBRUARY  | - | - | - | - | - |
| MARCH     | - | - | - | - | - |
| APRIL     | - | - | - | - | - |
| MAY       | - | - | - | - | - |
| JUNE      | - | - | - | - | - |
| JULY      | - | - | - | - | - |
| AUGUST    | - | - | - | - | - |
| SEPTEMBER | - | - | - | - | - |
| OCTOBER   | - | - | - | - | - |
| NOVEMBER  | - | - | - | - | - |
| DECEMBER  | - | - | - | - | - |
| TOTAL     |   |   |   |   |   |



## Driver of revenue growth? Price vs. Volume vs. Mix

- Invoice growth is 'King' lately
- Industry Invoices are down for 10 straight quarters
- Practices growing volume (not just through price) are highly valued and unique

|           |       |       |       |       |       |
|-----------|-------|-------|-------|-------|-------|
| Quarter 1 | _____ | _____ | _____ | _____ | _____ |
| Quarter 2 | _____ | _____ | _____ | _____ | _____ |
| Quarter 3 | _____ | _____ | _____ | _____ | _____ |
| Quarter 4 | _____ | _____ | _____ | _____ | _____ |

# B

# Average Revenue per Invoice

- **Hospital as a whole**
- **Tracking by veterinarian**
- **Nuances depending on your service offerings**
- Are differences by veterinarian explainable?
  - Does one Vet do more surgery? More procedures?
  - Likely will have variances among DVMs
- Comparison Vs. Benchmarks and relative to demographics
- Ensure production is tracked properly by DVM
  - Too often, over-credit the Owner

## SAMPLE DATA - 5 DOCTOR PRACTICE

|          | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|----------|-------------|-------------|-------------|-------------|
| Doctor 1 | 122.23      | 122.52      | 122.52      | 136.57      |
| Doctor 2 | 163.15      | 195.02      | 195.02      | 209.96      |
| Doctor 3 | 198.87      | 209.58      | 209.58      | 218.41      |
| Doctor 4 | 165.74      | 162.56      | 162.56      | 172.17      |
| Doctor 5 | 168.20      | 186.55      | 186.55      | 202.28      |



**Year over Year changes measures price changes.  
Has your mix of revenue changed?**



# Non-DVM Payroll as a % of Revenue

- The Most Important Expense Measure
- Rarely Tracked Regularly by DVM-owned Practices, Watched like a Hawk by Corporate Groups!
- Track Every Pay Period And Trend Over Time

## SAMPLE PRACTICE DATA

|                               | <u>5/6/2023</u> | <u>5/20/2023</u> | <u>6/3/2023</u> | <u>6/17/2023</u> | <u>7/1/2023</u> | <u>7/15/2023</u> |
|-------------------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|
| Non-DVM Payroll               | 43,559          | 48,664           | 45,550          | 46,735           | 45,958          | 44,030           |
| Revenue                       | 211,067         | 252,667          | 223,995         | 246,552          | 240,153         | 238,127          |
| Non-DVM Payroll as a % of Rev | 20.6%           | 19.3%            | 20.3%           | 19.0%            | 19.1%           | 18.5%            |



**Do you adjust labor when it is a slow revenue day/week?  
How do you do this?**

3

# Cost of Goods Sold Areas of Focus

# Cost of Goods Sold



## What is typically included in this category?

- Drugs & Medical Supplies
- Parasiticides
- Rx Diets
- Lab – In-house and Reference
- Traveling Specialists (Not Per Diem DVMs)
- Crematory and Other Outsourced Services (Radiology Reads)

The most 'misunderstood' cost category.

Benchmarks are regional and primarily based on parasiticide sales.



## Benchmarks vary widely by region and revenue mix

- South – 25-33% is Typical
  - Higher parasiticide sales and less online pharmacy utilization
- California is Typically 20-24%
  - Higher online pharmacy adoption and lower parasiticide use

# Managing your COGS

## Purchasing Groups Help

- VMG, PSI, VGP And Others
- Join the Group that has the 'Best' Pricing with the Vendor(s) that Your Hospital Prefers

## If No Purchasing Group, Then:

- Bundle Purchases for Parasiticides and Vaccines to Get the Best Pricing from Your Local Rep
- Negotiate
- Change Every Few Years to Get the Best Deals



Buy smartly from manufacturers  
to get the best value



# Lab Contracts

## Negotiate

- As your lab agreement expires, comparison shop
- Bids from IDEXX, Zoetis and Antech ensure best pricing

## Long Term Contracts

- Everyone wants them, but not in your interest
- Free equipment/cash = higher test pricing
- Annual escalators
- “Out” clause if you sell the practice



If you want free equipment or cash – ask for pricing with AND without the freebies



# Inventory - Tips



## Product Choices

- 1-2 products in each category
- Too many options is costly.
- Show 'conviction' on recommendations with clear options
- **Remember, it takes only 1-2 days for product to arrive when ordered**

Inventory Manager – Is there only feedback being scolded for running out of an item?

What is the likely learned behavior based on this type of feedback?



## Common Mistakes

- If you don't ask, you don't ask
- "You have the 'best' pricing in my region" – Reps say it all the time and it's likely not true!
- Paying for dinners / holiday parties – means they are making good \$\$ on you (get better pricing)!

4

# Non-DVM Labor Tools to Measure Success

# Labor Costs - Overview

## Metric Tracking is Key (every pay period)

- Under 16% is great, is it sustainable
- 16-18% is really good
- 18-20% is okay
- 20%+ shows there is work to be done

## Most Common Mistakes

- Staff is ALWAYS stressed / too busy
  - Realty – some days are really stressful, others not so bad
  - Saturday is usually lightly staffed and most efficient
- Mis-match of Doctor and Staff schedules
  - Too often, staff schedule is the same each day even if doctor schedule is not.



**Creating an efficient schedule is challenging -  
Balance hospital needs vs. staff needs**

# Labor Cost Analysis Tool

MONDAY

| <u>HOURS</u> | <u>DVMS</u> | <u>TECHS</u> | <u>ASSISTANTS</u> | <u>DVM TO<br/>TECH RATIO</u> |
|--------------|-------------|--------------|-------------------|------------------------------|
| 8            |             |              |                   | #DIV/0!                      |
| 9            |             |              |                   | #DIV/0!                      |
| 10           |             |              |                   | #DIV/0!                      |
| 11           |             |              |                   | #DIV/0!                      |
| 12           |             |              |                   | #DIV/0!                      |
| 13           |             |              |                   | #DIV/0!                      |
| 14           |             |              |                   | #DIV/0!                      |
| 15           |             |              |                   | #DIV/0!                      |
| 16           |             |              |                   | #DIV/0!                      |
| 17           |             |              |                   | #DIV/0!                      |
| 18           |             |              |                   | #DIV/0!                      |
| 19           |             |              |                   | #DIV/0!                      |
| 20           |             |              |                   | #DIV/0!                      |

TUESDAY

| <u>HOURS</u> | <u>DVMS</u> | <u>TECHS</u> | <u>ASSISTANTS</u> | <u>DVM TO<br/>TECH RATIO</u> |
|--------------|-------------|--------------|-------------------|------------------------------|
| 8            |             |              |                   | #DIV/0!                      |
| 9            |             |              |                   | #DIV/0!                      |
| 10           |             |              |                   | #DIV/0!                      |
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| 13           |             |              |                   | #DIV/0!                      |
| 14           |             |              |                   | #DIV/0!                      |
| 15           |             |              |                   | #DIV/0!                      |
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| 17           |             |              |                   | #DIV/0!                      |
| 18           |             |              |                   | #DIV/0!                      |
| 19           |             |              |                   | #DIV/0!                      |
| 20           |             |              |                   | #DIV/0!                      |

WEDNESDAY

| <u>HOURS</u> | <u>DVMS</u> | <u>TECHS</u> | <u>ASSISTANTS</u> | <u>DVM TO<br/>TECH RATIO</u> |
|--------------|-------------|--------------|-------------------|------------------------------|
| 8            |             |              |                   | #DIV/0!                      |
| 9            |             |              |                   | #DIV/0!                      |
| 10           |             |              |                   | #DIV/0!                      |
| 11           |             |              |                   | #DIV/0!                      |
| 12           |             |              |                   | #DIV/0!                      |
| 13           |             |              |                   | #DIV/0!                      |
| 14           |             |              |                   | #DIV/0!                      |
| 15           |             |              |                   | #DIV/0!                      |
| 16           |             |              |                   | #DIV/0!                      |
| 17           |             |              |                   | #DIV/0!                      |
| 18           |             |              |                   | #DIV/0!                      |
| 19           |             |              |                   | #DIV/0!                      |
| 20           |             |              |                   | #DIV/0!                      |

THURSDAY

| <u>HOURS</u> | <u>DVMS</u> | <u>TECHS</u> | <u>ASSISTANTS</u> | <u>DVM TO<br/>TECH RATIO</u> |
|--------------|-------------|--------------|-------------------|------------------------------|
| 8            |             |              |                   | #DIV/0!                      |
| 9            |             |              |                   | #DIV/0!                      |
| 10           |             |              |                   | #DIV/0!                      |
| 11           |             |              |                   | #DIV/0!                      |
| 12           |             |              |                   | #DIV/0!                      |
| 13           |             |              |                   | #DIV/0!                      |
| 14           |             |              |                   | #DIV/0!                      |
| 15           |             |              |                   | #DIV/0!                      |
| 16           |             |              |                   | #DIV/0!                      |
| 17           |             |              |                   | #DIV/0!                      |
| 18           |             |              |                   | #DIV/0!                      |
| 19           |             |              |                   | #DIV/0!                      |
| 20           |             |              |                   | #DIV/0!                      |

FRIDAY

| <u>HOURS</u> | <u>DVMS</u> | <u>TECHS</u> | <u>ASSISTANTS</u> | <u>DVM TO<br/>TECH RATIO</u> |
|--------------|-------------|--------------|-------------------|------------------------------|
| 8            |             |              |                   | #DIV/0!                      |
| 9            |             |              |                   | #DIV/0!                      |
| 10           |             |              |                   | #DIV/0!                      |
| 11           |             |              |                   | #DIV/0!                      |
| 12           |             |              |                   | #DIV/0!                      |
| 13           |             |              |                   | #DIV/0!                      |
| 14           |             |              |                   | #DIV/0!                      |
| 15           |             |              |                   | #DIV/0!                      |
| 16           |             |              |                   | #DIV/0!                      |
| 17           |             |              |                   | #DIV/0!                      |
| 18           |             |              |                   | #DIV/0!                      |
| 19           |             |              |                   | #DIV/0!                      |
| 20           |             |              |                   | #DIV/0!                      |

SATURDAY

| <u>HOURS</u> | <u>DVMS</u> | <u>TECHS</u> | <u>ASSISTANTS</u> | <u>DVM TO<br/>TECH RATIO</u> |
|--------------|-------------|--------------|-------------------|------------------------------|
| 8            |             |              |                   | #DIV/0!                      |
| 9            |             |              |                   | #DIV/0!                      |
| 10           |             |              |                   | #DIV/0!                      |
| 11           |             |              |                   | #DIV/0!                      |
| 12           |             |              |                   | #DIV/0!                      |
| 13           |             |              |                   | #DIV/0!                      |
| 14           |             |              |                   | #DIV/0!                      |
| 15           |             |              |                   | #DIV/0!                      |
| 16           |             |              |                   | #DIV/0!                      |
| 17           |             |              |                   | #DIV/0!                      |
| 18           |             |              |                   | #DIV/0!                      |
| 19           |             |              |                   | #DIV/0!                      |
| 20           |             |              |                   | #DIV/0!                      |

# Labor Cost Analysis

## Things to Consider

- Overlapping shifts
- Hours of operation – 9 vs 10 vs 12 hours
- Schedule to hospital needs vs. staff wants

### MONDAY

| <u>HOURS</u> | <u>DVMS</u> | <u>TECHS</u> | <u>ASSISTANTS</u> | <u>DVM TO<br/>TECH RATIO</u> |
|--------------|-------------|--------------|-------------------|------------------------------|
| 8            | 1           | 3            | 2                 | 5.0                          |
| 9            | 2           | 3            | 2                 | 2.5                          |
| 10           | 2           | 3            | 3                 | 3.0                          |
| 11           | 2           | 3            | 3                 | 3.0                          |
| 12           | 3           | 3            | 3                 | 2.0                          |
| 13           | 3           | 3            | 3                 | 2.0                          |
| 14           | 3           | 3            | 3                 | 2.0                          |
| 15           | 3           | 3            | 3                 | 2.0                          |
| 16           | 3           | 3            | 3                 | 2.0                          |
| 17           | 3           | 3            | 3                 | 2.0                          |
| 18           | 2           | 2            | 3                 | 2.5                          |
| 19           | 2           | 2            | 2                 | 2.0                          |
| 20           | 1           | 2            | 2                 | 4.0                          |

### TUESDAY

| <u>HOURS</u> | <u>DVMS</u> | <u>TECHS</u> | <u>ASSISTANTS</u> | <u>DVM TO<br/>TECH RATIO</u> |
|--------------|-------------|--------------|-------------------|------------------------------|
| 8            | 2           | 3            | 2                 | 2.5                          |
| 9            | 2           | 3            | 2                 | 2.5                          |
| 10           | 2           | 3            | 3                 | 3.0                          |
| 11           | 2           | 3            | 3                 | 3.0                          |
| 12           | 2           | 3            | 3                 | 3.0                          |
| 13           | 2           | 3            | 3                 | 3.0                          |
| 14           | 2           | 3            | 3                 | 3.0                          |
| 15           | 2           | 3            | 3                 | 3.0                          |
| 16           | 2           | 3            | 3                 | 3.0                          |
| 17           | 2           | 3            | 3                 | 3.0                          |
| 18           | 2           | 2            | 3                 | 2.5                          |
| 19           | 1           | 2            | 1                 | 3.0                          |
| 20           | 1           | 2            | 1                 | 3.0                          |

5

# Recap

# Recap

P&L Construction – major categories, not alphabetical

Track trends over time.  
Data in isolation is not meaningful.



## Metrics / KPIs

- Revenue growth
- Revenue per invoice trends
- Non-DVM Labor costs

**Set up simple spreadsheets and monitor religiously.**



## Cost of Goods and Non-DVM Labor

- Purchasing groups or concentrate purchases
- Negotiate
- Feedback to your inventory manager – don't overstock
- **Non-DVM Labor:** Staff-to-Doctor schedule which differs
  - Hour-by-hour analysis to find opportunities





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**Thank You!**

Do you have any questions?



# EverVet Networking Dinner

- 6:00 PM: Cocktail Hour
- 7:00 PM: Dinner is Served

**See you there!**

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